

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6332**

**BILL NUMBER: HB 1011**

**DATE PREPARED:** Jan 15, 1999

**BILL AMENDED:**

**SUBJECT:** Rebate of state surplus to property taxpayers.

**FISCAL ANALYST:** Diane Powers

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**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides for the rebate of an unforecasted surplus in the State General Fund or Property Tax Replacement Fund to persons that paid property tax.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** (Revised) This bill creates a Development Reinvestment Fund (DRF) for the purpose of granting rebates to property tax payers. The Fund is to consist of two accounts: the personal property tax relief account and the real property tax relief account. Expenses of administering the fund are to be paid from the fund. The Treasurer of State shall invest the money in the fund in the same manner as other public money. Money in the fund at the end of the fiscal year does not revert to the General Fund.

The bill provides that at the end of each fiscal year, the Budget Agency shall compute the amount by which actual revenues for the General Fund and the Property Tax Relief Fund exceed forecasted revenue for the fiscal based on the prior year December Forecast. This amount is to be reduced by the amount by which all allotments for the fiscal year exceed the revenue forecasted. In any year that actual revenues exceed forecasted revenues, the Budget Agency shall transfer the lesser of \$200 M or the amount of the surplus revenue over forecast adjusted for allotments. The transfer is to be made no later than September 1 following the end of the fiscal year and distributed proportionately between the two account in the Development Reinvestment Fund.

When there are balances of at least \$50 M in the personal property tax relief account and the real property tax relief account, the State Auditor is to issue a warrant to each taxpayer on the list who paid property taxes. The refunds are to be based on the taxpayers proportion to total applicable taxes paid.

It is difficult to estimate the amount by which actual revenues might exceed forecast revenues. If the

economy behaves as expected or if the economy grows at a slower rate than expected, there would be no excess revenues. If the economy grows faster than expected, then there would be an excess. That is why the Revenue Technical Committee revises the state revenue forecast once or twice a year to more accurately inform the Legislature of changes in the economy which may affect revenue collections.

This bill would require using a base forecast which is made 18 months prior to the end of the affected fiscal year's revenue collections in order to calculate the amount of funds available to transfer to the Development Reinvestment Fund (DRF). For example, the December 1996 Forecast would have been used to estimate the transfer at the end of FY 98. If this bill was effective for FY 98, \$200 M would have been transferred to the DRF. The December 1996 Revenue Forecast estimated \$8,034.7 M in GF and PTRF revenues. According to the State Budget Agency's year end reports, FY 98 revenue collections equaled \$8,421.4 M . After allowing for the transfers of funds to the Rainy Day Fund of \$2.4 M, revenue collections would have exceeded the prior forecast by \$384.3 M. The 1998 net personal property tax levies totaled \$1.3 billion and the 1998 net real property tax levies equaled \$3.2 billion. With the \$200 M transfer to the DRF, this proposal would have provided a 3.1% rebate on real property taxes paid and an 7.6 % rebate on personal property taxes paid.

This proposal could affect prospective spending decisions. If state budget expenditures are based on relative close proximity to the revenue forecast, it is unlikely that there would be significant revenue collections over the \$200 M cap to be transferred to the DRF for other supplemental spending.

This bill would be effective for FY 2000 and the first transfer would be based on actual collections for FY 2000 and the December 1998 Revenue Forecast.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The county auditors are required to certify a list of property taxpayers and to transmit this list electronically to the Department of Revenue. The Department of Revenue shall certify this list to the State Auditor.

**Explanation of Local Revenues:**

**State Agencies Affected:** The State Budget Agency; The Department of Revenue; State Auditor.

**Local Agencies Affected:** County Auditors.

**Information Sources:** The State Budget Agency.